Planning Affordable Housing Activities

Affordable Housing Plan

October 2018–September 2019

MINNESOTA HOUSING

CONTENTS

SUMMARY:
2019 AT A GLANCE

We are creating a prosperous Minnesota, where people succeed and communities thrive. Housing plays a critical role in this future because *housing is the foundation for success.*

When homes are safe, stable, and affordable, Minnesotans have positive outcomes in employment, school, health and other areas of life. However, we have a lot of work to do because about 550,000 Minnesota households, roughly 1 in 4, are cost burdened, paying more than 30 percent of their income on housing.[1]

In 2019, we will complete the last year of our 2016-19 Strategic Plan. The four years have been successful. We are currently on track by the end of the 2019 program year to:

- Serve about 175,000 Minnesota households;
- Increase our annual mortgage lending from 4,089 to 4,324 loans;
- Increase our annual lending to first-time homebuyers of color from 1,141 to 1,286 loans;
- Finance the construction of 4,200 new rental units;
- Rehabilitate 17,488 owner-occupied and rental homes;

- Retain 99 percent of the state's 37,000 units with federal project-based rent assistance;
- Reduce homelessness by 8 percent (the reduction in the three most recent years);
- Address several other critical housing issues, including manufactured and senior housing;
- Finance the development of workforce housing in Greater Minnesota;
- Sponsor several broad-based collaborations, including the Governor's Task Force on Housing, the Interagency Council on Homelessness, the Olmstead subcabinet; and
- Make significant internal process improvements in both the single-family and multifamily areas.

This coming year will be the capstone for our 2016-19 Strategic Plan. We have our largest one-year program investment plan ever, over $1.3 billion, and will serve over 69,000 Minnesota households.

In 2019, we plan to:

- Operate an $800 million home mortgage program. In 2018, we originally forecasted $630 million of lending activity. However, through program adjustments, effective implementation, and outreach, we significantly increased it to about $800 million. We expect to reach a similar level in 2019 and serve 4,324 borrowers.
- Maintain 35 percent of our first-time homebuyer mortgages going to households of color. In the overall Minnesota mortgage industry, only 14 percent of all home-purchase mortgages go to households of color.
- Award over $200 million for rental development and rehabilitation ($180 million from the rental production program and additional funds from the multiple-use-resource programs). We expect to finance the development and rehabilitation of about 4,062 rental units.
- Continue implementing the state's Plan to Prevent and End Homelessness and the Olmstead Plan (an interagency effort to provide people with disabilities the choice and opportunity to live, learn, work, and enjoy life in integrated settings in the community).

The year will also be a time for transition and planning. We will:

- Have a new Governor,
- Develop our 2020-2023 Strategic Plan, and
- Review and assess the recommendations of the Governor's Task Force on Housing, identifying ones we can incorporate into our work.

As we complete the 2016-19 Strategic Plan, we will take stock of where we are, look to the future, and plan our next steps.

TABLE 1: FUNDING BY ACTIVITY

Program Category	Original 2018 AHP	2019 AHP
Homebuyer Financing and Home Refinancing	$663,000,000	$840,000,000
Homebuyer/Owner Education and Counseling	$2,802,000	$2,777,000
Home Improvement Lending	$24,794,000	$26,494,000
Rental Production - New Construction and Rehabilitation	$135,654,833	$179,920,842
Rental Assistance Contract Administration	$189,555,000	$178,810,000
Housing Stability for Vulnerable Populations	$32,539,903	$29,870,556
Multiple Use Resources	$76,678,015	$85,026,481
Other	$1,960,314	$2,368,232
Total	**$1,126,984,065**	**$1,345,267,111**

CHAPTER 1:
HOME AND A PROSPEROUS MINNESOTA

We are building a better Minnesota, where people flourish, children succeed in school, and communities thrive.

We are fortunate to already have committed partners, and we call on others – individuals, community groups, faith-based organizations, businesses, and government – to engage on this community-wide effort to build a stronger foundation for success.

Our prosperity and future depend on:

All Minnesotans living in a safe, stable home they can afford in a community of their choice.

With safe, stable homes that are affordable:

- Newly hired workers will find a place to live, allowing economic expansion to continue;
- Day care providers and teachers will live in homes near work, reducing their commute time and making it easier to care for and teach our children;
- Children experiencing housing instability and frequent moves will achieve stability and regularly attend school, making class room instruction more consistent for all our students;
- Family and friends struggling with chemical dependency or a mental illness will have a stable place to call home, allowing them to focus on their treatment;
- Young families will find homes to buy, allowing them to achieve the benefits of homeownership; and
- Seniors will be able to make home modifications and arrange for in-home services, allowing them to age in place and stay near family.

To build a prosperous Minnesota for everyone, we are committed to collaborating with individuals, communities and partners to create, preserve and finance affordable housing.

The Governor's Task Force on Housing recently issued a report with recommendations for creating a prosperous Minnesota. The Task Force was a statewide, multisector planning effort involving representatives from private businesses, nonprofit organizations, and government. Minnesota Housing fully supported the Task Force and served as a lead sponsor. In 2019, as we develop our 2020-23 Strategic Plan, we will leverage the work of the Task Force and incorporate applicable recommendations into our work. In the meantime, we will finish the 2016-19 Strategic Plan with a strong 2019 Affordable Housing Plan (AHP), which serves as our annual business plan, allocating existing resources and laying out program and policy initiatives for the year.


LAKEGIRL

CHAPTER 2:
OUR APPROACH

In our 2016-19 Strategic Plan, we created the big, audacious goal of "All Minnesotans living in a safe, stable home they can afford in a community of their choice."

With 550,000 Minnesota households cost burdened by their housing payments, we still have a lot of work to do. On the positive side, 2019 will be a strong conclusion to a successful strategic plan. We will continue to make significant advancements in each of our core activities and strategic priorities.

The work of Minnesota Housing and its partners is extensive, reaching all four corners of the state and serving the full continuum of low- and moderate-income housing needs. During the 2016-19 Strategic Plan, we are on track to assist a total of 175,000 Minnesota households, with 2019 being a strong year – serving over 69,000 households.[2]

The following sections highlight our work under each:
core activity
and strategic priority.

OUR CORE ACTIVITIES

- Promote and support successful homeownership
- Finance new affordable rental opportunities
- Preserve the existing housing stock
- Provide housing resources to support community and economic development
- Lead, collaborate and take action on critical housing issues
- Strengthen our financial and organizational capacity

OUR STRATEGIC PRIORITIES

- Reduce Minnesota's racial and ethnic homeownership disparity
- Preserve housing with federal project-based rent assistance
- Prevent and end homelessness
- Finance housing responsive to Minnesota's changing demographics
- Address specific and critical local housing needs

HOW WE WORK

- Be flexible and responsive
- Develop effective partnerships
- Remove barriers and provide equitable access to programs and opportunity
- Solve problems through innovation and creativity
- Leverage our strong financial and operational capacity

ACHIEVING HOMEOWNERSHIP

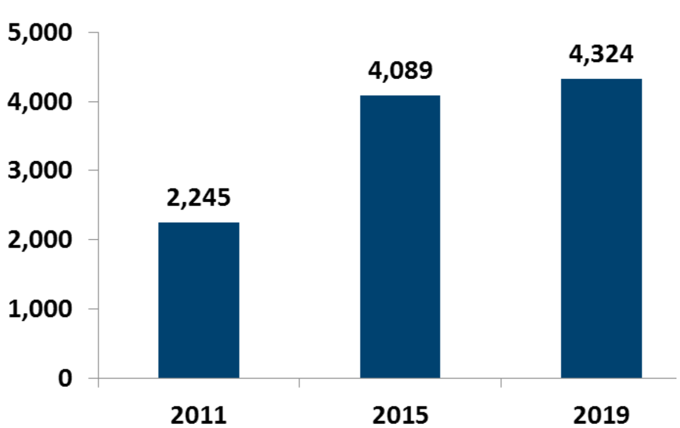
A mother of three wanted to become a homeowner; however, she was passed over by several real estate agents because she lacked resources for the downpayment and closing costs. She had resigned herself to paying $1,700 per month to rent a townhome.

Fortunately, she was eventually referred to a real estate agent who had the expertise and knowledge to connect her with a lender offering our mortgages and downpayment loans. Despite losing out in several multiple-offer situations, she finally became the owner of a three-bedroom, two-bath townhome in the fall of 2017. The new homeowner and her real estate agent cohosted a well-attended housewarming party.

PROMOTE AND SUPPORT SUCCESSFUL HOMEOWNERSHIP

Homeownership increases housing stability and connections to the community and is the primary way most families build wealth. Each year of successful homeownership increases household wealth by an average of $9,500.[3] It also frees up affordable rental housing. Roughly 27,000 of the 110,000 Minnesota's rental units that are affordable to the lowest-income households are occupied by households that can afford homeownership.[4] If these households with more resources successfully transition to homeownership, existing affordable rental housing would become available for Minnesota's lowest-income individuals and families.

FIGURE 1: HOME MORTGAGES FINANCED BY MINNESOTA HOUSING



Our record level of mortgage lending is a great success, nearly doubling from 2,245 mortgages in 2011 to an expected 4,324 in 2019. This dramatic increase occurred despite the inventory of homes selling for less than $250,000 being cut in half between 2014 and 2017.[5]

OUR COMMITMENT TO ACTION IN 2019

- Maintain our record level of home mortgage lending through continuous improvement in program design, business development, and operations.

REDUCE MINNESOTA'S RACIAL AND ETHNIC HOMEOWNERSHIP DISPARITY

While Minnesota benefits from having the 3rd highest homeownership rate in the country, we also have the 5th highest homeownership disparity between white/non-Hispanic households and households of color.[6] To help all Minnesotans have equitable access to the benefits of homeownership, we and our program partners reach out to households of color to increase their:

- Knowledge and comfort with the home buying process,
- Savings and credit scores,
- Access to downpayment and closing cost loans, and

OVERCOMING POOR CREDIT AND HIGH DEBT

A Hispanic father of four had dreamed of being a homeowner and was referred to a Homeownership Capacity administrator by his real estate agent in the spring of 2015. When he and his coach first met, they learned that his credit report was 11 pages long, he had been the victim of identity theft, and his credit score was only 594.

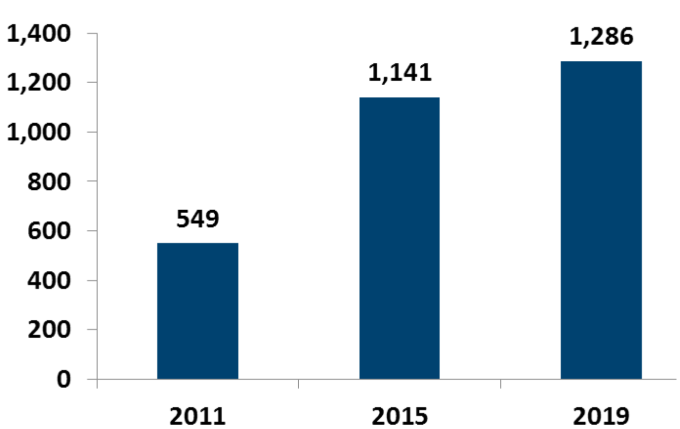
By late fall, he cleaned up the identify theft accounts on his report, established a budget, reduced his debt from $18,000 to $6,000, and increased his credit score to 648. He was ready for homeownership and bought a home two months later. He acknowledged that it was a tough process but becoming a homeowner was worth it.

- Access to quality and affordable mortgages.

We have created innovative and effective programs, including the Enhanced Homeownership Capacity Initiative (Homeownership Capacity), a program that provides intensive financial coaching to underserved populations. The program has been very successful.

- 87% of clients are households of color.
- Median credit scores have increased from 611 at program entry to 658 at program completion.
- Clients who completed the program improved their financial picture on average by $3,600 through increased savings and reduced debt collections.

FIGURE 2: LOANS TO FIRST-TIME HOMEBUYERS OF COLOR



- Nearly 60% of the clients who completed the program with a reported outcome bought a home within a year.

Since 2011, we will more than doubled our lending to households of color who are first-time homebuyers.

Currently, about 35% of our mortgages for first-time homebuyers go to households of color, when only 14% of all home-purchase mortgages in Minnesota do.[7] Since our mortgages only account for about 5% of the industry total in Minnesota, we are supporting a broader, industry-wide effort to substantially reduce the homeownership gap in Minnesota.

OUR COMMITMENT TO ACTION IN 2019

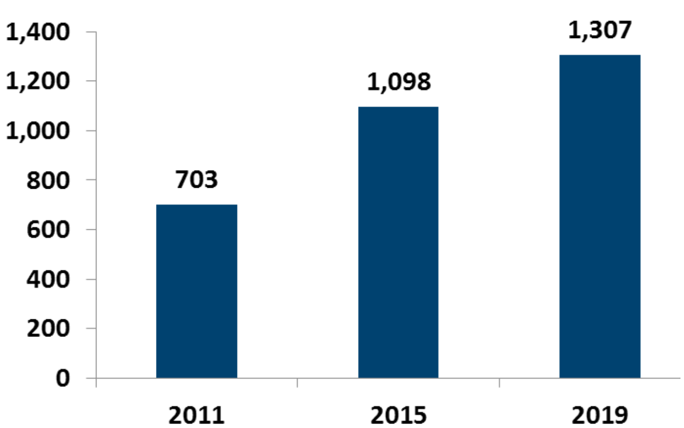
- Maintain 35% of our first-time homebuyer mortgages going to households of color.
- Continue Homeownership Capacity as a permanent program.
- Fund our downpayment and closing cost loans, which are critical in supporting underserved populations.
- Continue to lead the Homeownership Opportunity Alliance, an industry-wide coalition to expand homeownership for households of color, and implement its new campaign – "Get Ready. Be Ready!"

FINANCE NEW AFFORDABLE RENTAL OPPORTUNITIES

The ideal, balanced rental market has a 5% vacancy rate, allowing renters to have choices when searching for an apartment but filling vacancies relatively quickly for landlords. For the last few years, Minnesota's statewide vacancy rate has been about 4%, and much lower in some markets. To bring the rental vacancy rate up to the ideal 5% in all markets, Minnesota needs to build an additional 3,000 rental units annually for the next five years on top of the 8,000 annual units currently being built.[8] About 70% of the new units need to be affordable to households with an income at or below 80% of the area median income (AMI) to match the incomes of the Minnesota renters who will occupy these units.[9] However, only about 20% of new construction is currently affordable for these lower-income households.[10]

Since 2011, we have significantly increased our annual financing of new rental construction.

FIGURE 3: NEW RENTAL CONSTRUCTION FINANCED BY MINNESOTA HOUSING



During the 2016-19 Strategic Plan, we are on pace to finance the construction of 4,200 new rental units.

OUR COMMITMENT TO ACTION IN 2019

- Award up to $60 million of Housing Infrastructure Bond (HIB) proceeds for housing development. The state's 2018 bonding bill was very supportive of affordable housing needs, adding senior housing as a new use of funds on top of the current uses (supportive housing and preservation) and emphasizing supportive housing for people with behavioral health needs as a funding priority (setting aside up to $30 million). We will award some of the HIB funds this year and, with the new uses, reserve some for next year. The 2019 resources will finance about 500 rental units, with a majority being new construction.
- Award $12.4 million of Low-Income Housing Tax Credits, which are the primary resource for developing affordable rental housing. This year's allocation is our largest ever (due to an additional allocation from Congress), will generate about $110 million in investor equity, and should finance about 700 rental units, mostly new construction.
- Award about $2 million from the Workforce Housing Development program. Last year, we selected five developments, creating 191 new apartments in Pelican Rapids, Luverne, Duluth, Albert Lea, and Baudette.
- Continue our commitment to energy efficiency and conservation. Reducing energy use is not only good for the environment but also reduces utility costs, making housing more affordable. We have an Energy Fellow on staff who helps: (1) housing developers connect with people in the health, building materials, energy efficiency, renewable energy, and water sectors; (2) owners and developers leverage the Conservation Improvement Program incentives offered by utility companies (e.g. rebates for energy efficient appliances and systems); and (3) building owners and property managers with whole-building energy monitoring and usage and the impacts they have on owner- and tenant-paid utility bills.

ADDRESSING THE SHORTAGE OF RENTAL HOUSING

In the fall 2016, we awarded Low-Income Housing Tax Credits and a deferred loan through the Economic Development and Housing/Challenge program to Valley High Flats, a three-story, 60-unit new development in northwest Rochester with a mix of one to three bedroom units. The development will serve Rochester's growing population and job market. According to a local market analysis, job growth has resulted in a need for over 2,400 units of new affordable housing in the area. Valley High Flats is well located in a higher-income community with qualify schools and access to transit. Four of the two-bedroom units will serve families who have experienced long-term homelessness, with these tenants paying no more than 30% of their income on rent, which will provide them with a foundation for success.

PRESERVE THE EXISTING HOUSING STOCK

It is far more cost effective to maintain and improve an existing home than to build a new one. In Greater Minnesota, the average cost of developing a new affordable rental unit with Low-Income Housing Tax Credits is about $200,000, while the average cost to acquire and rehabilitate an existing unit is only $125,000.[11] Minnesota has an extensive stock of affordable housing. About 290,000 units rent for $875 per month or less (which is affordable to a family earning $35,000) and about 900,000 homes have a value of $200,000 or less (which is affordable to buy for a family earning $60,000).[12] Many of these affordable units are in older properties. As shown in Figures 4 and 5, older homes are generally more affordable, but they can deteriorate to the point that they are no longer decent places to live.

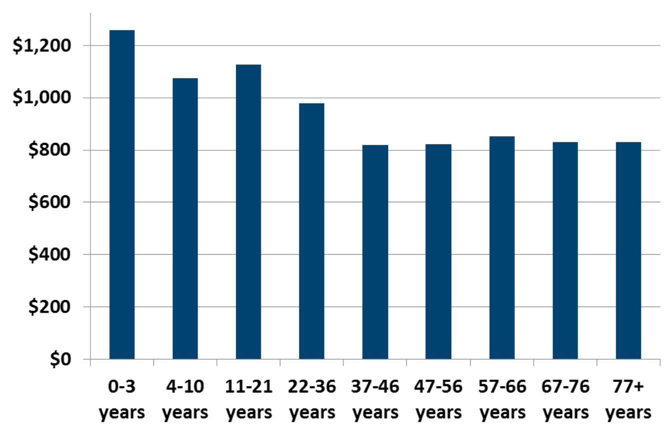
During the 2016-19 Strategic Plan, we are on track to improve or rehabilitate:

- 5,207 owner-occupied homes
- 12,282 rental units

OUR COMMITMENT TO ACTION IN 2019

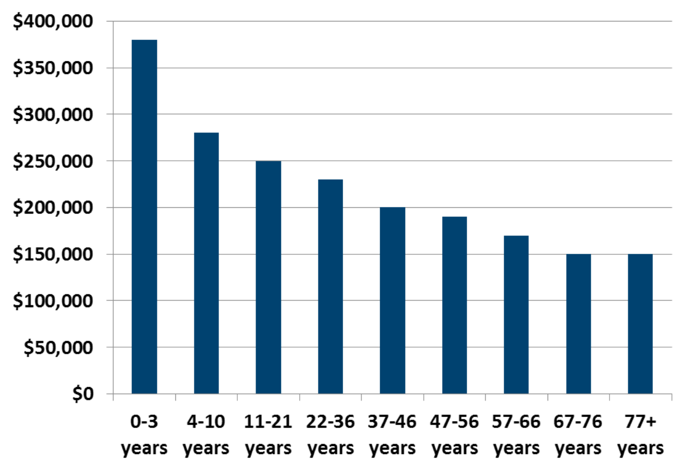
- Increase lending under the Home Improvement Loan program by implementing recent improvements that make it easier to administer and more beneficial to borrowers.
- Increase the reach of the Rehabilitation Loan

FIGURE 4: MEDIAN RENT BY AGE OF PROPERTY



Source: Minnesota Housing analysis of data from the Census Bureau's American Community Survey (2016 1-year sample, microdata, iPums.org)

FIGURE 5: MEDIAN HOME VALUE BY AGE OF PROPERTY



Source: Minnesota Housing analysis of data from the Census Bureau's American Community Survey (2016 1-year sample, microdata, iPums.org)

Program, which serves the lowest-income homeowners (including owners of manufactured homes), by implementing recent improvements that make it easier to administer.

- Refine our overall strategy for supporting manufactured homes and parks. For example, infrastructure improvements at manufactured home parks are now an eligible use of proceeds from Housing Infrastructure Bonds (HIBs) and will be included in our next single-family request for proposals (RFP) or in a separate RFP.
- Make available $9.2 million for the preservation of public housing through our Publicly-Owned Housing Program (POHP). Minnesota has just over 20,000 public housing units.
- Redesign the Rental Rehabilitation Deferred Loan (RRDL) program, which focuses on rehabilitating smaller properties. Statewide, about 60% of rental units are in properties with 19 or fewer units, and 42% are in properties with 4 or fewer units.[13]

PRESERVE HOUSING WITH FEDERAL PROJECT-BASED RENT ASSISTANCE

Minnesota has about 138,000 renter households with an income at or below 30% of the area median income (AMI) who spend more than 30% of their income on rent and utilities, leaving limited resources for food, clothing, health care, and other necessities.[14] Rent assistance, which pays the difference between the market rent and what a tenant can afford, is a direct way to guarantee that people are not cost burdened. Through HUD's project-based Section 8 and USDA Rural Development (RD) programs, almost 37,000 Minnesota households receive rent assistance that is tied to a specific apartment; however, the assistance is at risk of being lost as the contracts providing the assistance expire/mature or properties deteriorate.

We and our partners are effectively preserving this assistance. So far, during this current strategic plan, Minnesota has only lost about 1% of these units (30 of the 30,000+ Section 8 units and 350 of the 6,700 Rural Development units) due to contract opt-outs or maturing/pre-paid mortgages. We also successfully manage Minnesota's project-based Section 8 units for HUD through our performance based contract, achieving a near perfect performance assessment from HUD and earning all the possible contract fees and performance incentives. High quality contract administration ensures that the properties are well run, payments are made in a timely fashion, and tenant and owner issues are quickly resolved, which increases the likelihood that the owners will extend their contracts with HUD.

OUR COMMITMENT TO ACTION IN 2019

- Maximize the use of PARIF (Preservation Affordable Rental Investment Fund) and HIB (Housing Infrastructure Bond) funds. These are our two primary resources for rehabilitating and preserving properties with federal project-based rent assistance.
- Retain our Section 8 performance-based contract with HUD. The current contract is due to expire on December 31, 2018.

LEAD, COLLABORATE AND TAKE ACTION ON CRITICAL HOUSING ISSUES

Our mission is clear: **Housing is the foundation for success, so we collaborate with individuals, communities, and partners to create, preserve, and finance affordable housing.** Affordable housing provides individuals, families, and communities with the stability to thrive in all areas of life, including health, education, and employment. To maximize these benefits and create synergies, we lead, collaborate and take action.

Minnesota Housing is home to both the Interagency Council on Homelessness and the Olmstead Subcabinet, with Commissioner Tingerthal serving as a chair for both interagency efforts. The Council is a collaboration of 11 state agencies, the Metropolitan Council, and the Governor's Office with the goal of preventing and ending homelessness. The Olmstead Subcabinet is a similarly structured eight-agency collaboration with the goal of providing people with disabilities the choice and opportunity to live, learn, work, and enjoy life in integrated settings in the community.

At the local level, we have a statewide network of about 400 organizations administering our programs, including lenders, developers, service providers, and community organizations. To ensure that we have a strong capacity in every corner of the state, we fund the Capacity Building Initiative to help communities across Minnesota where a lack of organizational capacity creates the risk that geographic areas and constituencies will be underserved. Through the Initiative, we annually have a competitive process through which we provide local capacity-building projects up to $40,000 in one-time funding.

We will also support and collaborate with communities, cities, and counties, who are more active than ever in identifying potential affordable housing strategies.

OUR COMMITMENT TO ACTION IN 2019

- Identify recommendations from the Governor's Task Force on Housing that we can incorporate into our work.
- Continuing implementing the Plan to Prevent and End Homelessness and the Olmstead Plan.

PREVENT AND END HOMELESSNESS

Homelessness is the most severe form of housing instability, causing massive disruption in the lives of single-adults, parents, children, and youth. At least, 7,600 Minnesotans experience homelessness on any given night, and a much larger group is precariously housed and one crisis away from homelessness. Homelessness occurs for many reasons, but a lack of affordable housing is a primary cause. While the lack of affordable housing is critical, the shortage of any rental housing is making the situation worse. Landlords have multiple people applying for single

STABILIZING A HOME AND A FAMILY

The Community Homeownership Impact Fund (using Economic Development and Housing/Challenge appropriations) recently financed the rehabilitation of a home owned by a retired senior citizen, who has two children and a nephew living with her. Each has a serious medical condition, including traumatic brain injury, stage-3 cancer, and diabetes.

While she keeps an immaculate home, it was starting to fall into disrepair, and she could not afford the necessary work with much of her fixed income dedicated to the family's medical bills. Throughout the project, the owner was dumbfounded that she received the help.

PRESERVING CRITICAL RENTAL HOUSING

Como by the Lake is 99-unit property in St. Paul with of the 57 units having project-based Section 8 rent assistance. The property serves seniors and people with disabilities. In 2015, the owner gave notice to opt out of their Section 8 contract, leaving the residents frightened they could not remain in their homes and the community. They organized and made it clear that they wanted their housing preserved as affordable for the long-term.

Fortunately, the nonprofit Aeon agreed to purchase the property in 2016. In the fall of 2016, Minnesota Housing awarded $2.6 million of federal HOME funds to support the $14.9 million acquisition and rehabilitation of the property. The financing from Minnesota Housing will ensure that the Section 8 contract will go until 2053.

SPONSORING THE GOVERNOR'S TASK FORCE ON HOUSING

Last winter, Governor Dayton created a Task Force on Housing to take on Minnesota's growing housing instability, which puts the state's economic competitive advantage at risk. The non-partisan Task Force of housing experts, business leaders and community stakeholders held meetings across the state, explored best practices, policies, gaps, and new strategies, and proposed recommendations.

The effort was supported by a collaborative that included Minnesota Housing, the Governor's Office, Itasca Project, Greater Minnesota Housing Fund, Family Housing Fund, Metropolitan Council, McKnight Foundation, Blandin Foundation, Bush Foundation and St. Paul Foundation. Minnesota Housing played a key leadership role by providing funding, about half of the staff support, and office and meeting space.

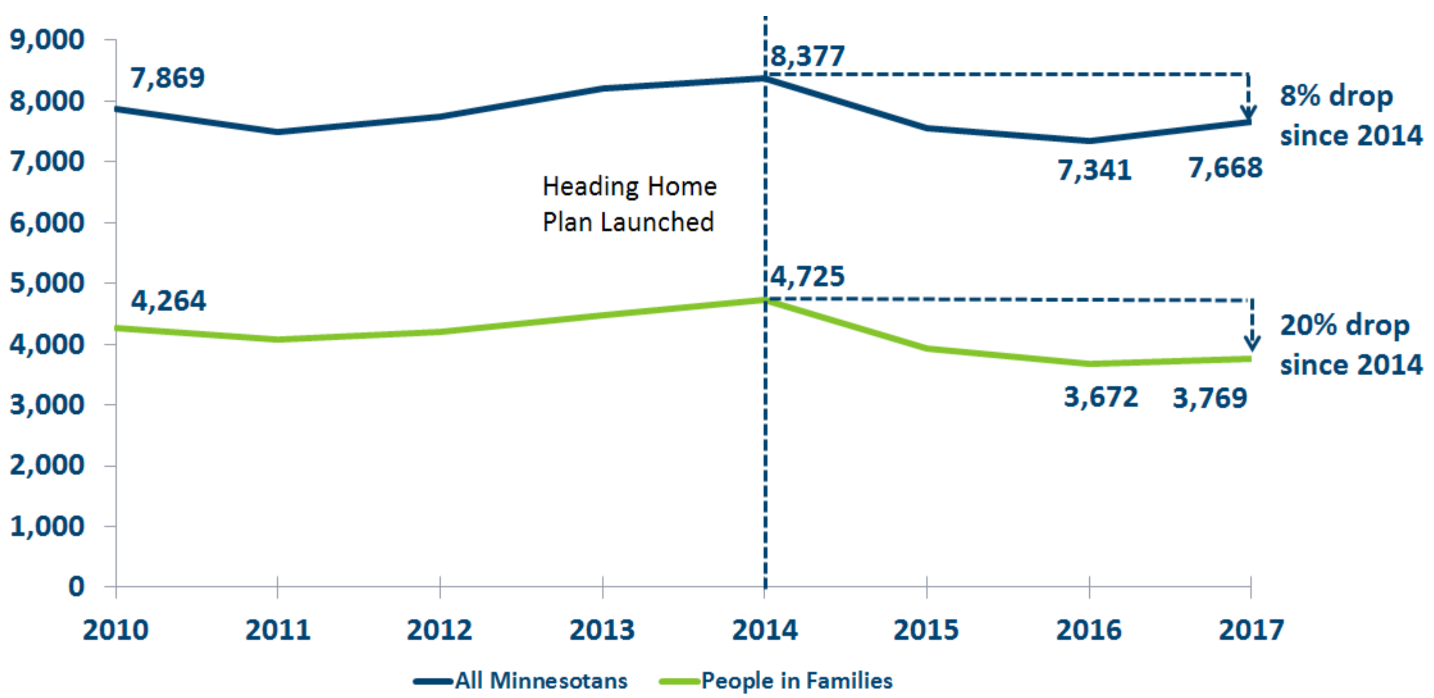
vacancy, allowing them to screen out people with imperfections in their histories, including those with unstable employment, low credit scores, criminal records, or evictions.

In 2014, the Interagency Council on Homelessness released its first Plan to Prevent and End Homelessness, which aligned, coordinated, and leveraged the work of 11 state agencies and the Metropolitan Council. Since the first plan was released in 2014, homelessness in Minnesota has declined by 8%.

Each year, Minnesota Housing supports about 15,000 households through homelessness prevention, rent assistance, and permanent supportive housing activities. In the last few years, we have also carried out several pilots to test and evaluate innovative strategies to address homelessness.

- **Homework Starts with Home** is a new pilot that was launched in 2018 and will provide rent as-

FIGURE 6: HOMELESSNESS IN MINNESOTA



PREVENTING HOMELESSNESS

A couple was recently struggling with homelessness. While both had a history of employment, the woman had struggled with mental health issues and lost her job, and the man had his hours reduced, making rent unaffordable. A local administrator of the Family Homeless Prevention and Assistance (FHPAP) program provided them with 6 months of temporary rental assistance. During that time, she received therapeutic support. Today, both are employed. FHPAP enabled them to overcome their barriers and maintain housing stability. Their case manager stated, "We are given the opportunity to walk with people who have walked a long way alone. It is pretty amazing when they let us join them."

sistance and other supports for students and their families experiencing homelessness, with the twin goals of stabilizing their housing and improving educational outcomes. The pilot is a cooperative effort of Minnesota Housing, the departments of Education and Human Services, and philanthropy, and the results will be evaluated by a team from the University of Minnesota. It will test and evaluate a "progressive engagement" model that calibrates and adjusts the level of support to the needs of the students and families. The pilot will serve about 237 families through five local administrators in Clay, Beltrami, Hennepin, and Ramsey counties.

- **The Landlord Risk Mitigation Fund** provides financial incentives and other supports to landlords that rent to people struggling to find housing, including people with criminal histories or experiencing homelessness. The fund pays for lost rent or damages not covered by the security deposit. The goal is to serve 180 households through three local administrators in suburban metro, the Brainerd area, and St. Louis County
- The **Step Down** pilot provides rent assistance and a transition out of services for people currently in supportive housing who no longer require this level of support. The goal is to free up supportive housing for those currently needing it. The pilot annually serves just over 20 households. In 2017, the pilot received an award from the National Council of State Housing Agencies (NCSHA).

OUR COMMITMENT TO ACTION IN 2019

- Carry out the actions we have committed to in the recently adopted *Heading Home Together: Minnesota's 2018-2020 Action Plan to Prevent and End Homelessness.* This plan goes beyond coordinating the work of state agencies and now includes broader multi-sector strategies involving local organizations and philanthropy. The goal is to effectively end homelessness by preventing it whenever possible, and when that is not possible, making the experience rare, brief, and one-time.
- Continue pursuing the goal of creating 5,000 new housing opportunities by 2020 for households experiencing homelessness or at risk.
- Implement the Homework Starts with Home pilot program and measure results for the students and their families.

PROVIDE HOUSING RESOURCES TO SUPPORT COMMUNITY AND ECONOMIC DEVELOPMENT

Safe, stable, and affordable housing is a critical component of a vibrant community. Communities thrive when they have a full array of housing choices that meets the needs of all residents. Communities need:

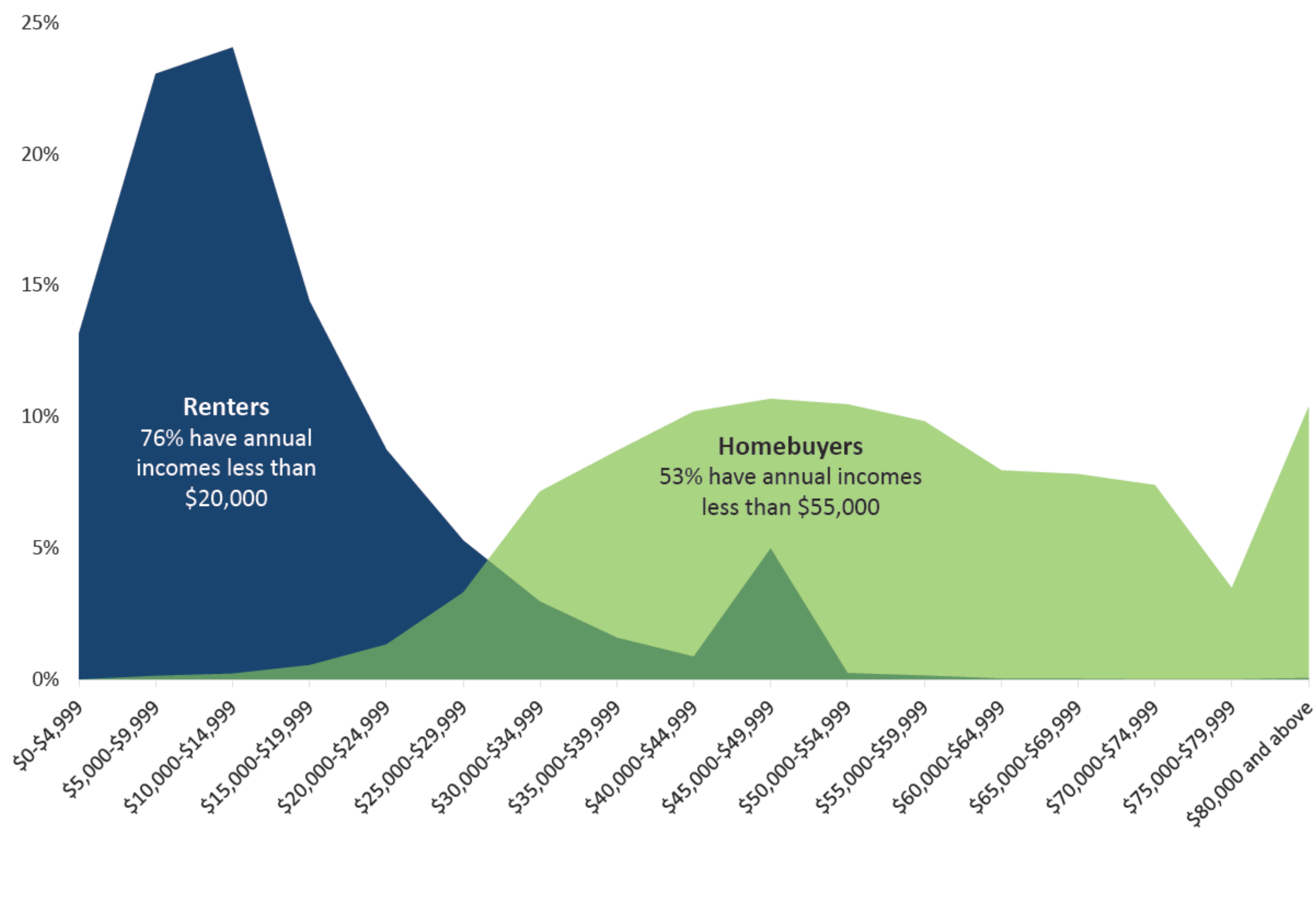
- Gap financing to develop new affordable rental and ownership housing that will serve the growing workforce,
- Supportive housing for a people with disabilities,
- Rent assistance for single parents who work full time in low-wage jobs and need stable homes for their children,
- Resources to preserve manufactured home parks,
- Downpayment and closing cost loans paired with affordable mortgages for young families who want to buy their first home, and
- Home improvement and rehabilitation funds for senior homeowners who want to stay in the community and live near their families.

To meet these needs, we offer a suite of programs that serve the full continuum of housing needs for low- and moderate-income Minnesotans.

OUR COMMITMENT TO ACTION IN 2019

- Maintain a suite of programs that serve the full continuum of housing needs for low- and moderate-income households in communities across Minnesota.
- Continue engaging, listening to, and supporting communities looking for ways meet their housing needs.

FIGURE 7: INCOME DISTRIBUTION OF HOUSEHOLDS SERVED IN 2017



FINANCE HOUSING RESPONSIVE TO MINNESOTA'S CHANGING DEMOGRAPHICS

Minnesota's demographics are changing rapidly, as shown in Figures 8 and 9. By 2035, Minnesota's population of color is projected to increase by 50%, while the white/non-Hispanic population will increase by only 4%. We are also becoming older. By 2036, the State Demographer expects Minnesota to have almost 485,000 more seniors than the current 840,000.

As described earlier, we have more than doubled our mortgage lending to households of color in the last eight years. In 2016, we also carried out a pilot that funded the development of two senior rental projects – Mysa House in Mora and The Glen at Valley Creek in Woodbury. The financing of these developments prepared us for using Housing Infrastructure Bond (HIB) proceeds to finance senior housing, which the Legislature added as an eligible use in 2018 and will be available under the 2019 Consolidated Request for Proposals.

OUR COMMITMENT TO ACTION IN 2019

- Start using HIB proceeds to develop senior housing.
- Identify additional and more-effective ways to link housing and services for seniors and others.
- Continue financing rental housing for large families.

ADDRESS SPECIFIC AND CRITICAL LOCAL HOUSING NEEDS

While more affordable housing is needed across Minnesota, each community has its own priorities. One community may need to focus on the shortage of workforce housing, while another may need larger rental units for its growing population of large immigrant families. We partner with communities across the state to assess needs, identify solutions, and access resources.

- Each year, we co-host housing dialogues in communities across Minnesota to identify needs and discuss solutions. In 2018, we rolled these into the eight Regional Housing Forums sponsored by the Governor's Task Force on Housing, with about 500 Minnesotans attending in total.

ADDING WORKFORCE HOUSING TO A GROWING COMMUNITY

In 2018, we awarded $680,000 for the construction of Town Square Apartments (a new three-story building with 27 units in Luverne) under our Workforce Housing Development Program. The award will help bridge the gap between the development costs and the rent revenue the units will generate. The city has an estimated rental vacancy rate of 1.5% and a demand for an additional 72 rental units. In 2017, truShrimp announced plans to build a facility in Luverne, which will add nearly 100 jobs to the local economy, adding demand to an already tight rental market. The project is part of a larger redevelopment plan for Luverne that will include a mix of commercial, retail, housing, and mixed-use buildings.

BUILDING SENIOR HOUSING

Mysa House is a 24-unit senior development in Mora, Minnesota, owned by the Housing and Redevelopment Authority (HRA). The development serves an important policy goal of providing senior housing with services. St. Clare Living Community will offer a-la-carte service options that can be purchased individually either by private pay or through Kanabec-Pine Community Health programs for qualified households. The development is part of a larger senior campus that is also owned by the Mora HRA that includes a senior activity center, assisted living, and memory care. Mysa House will serve lower income households, with twelve households also benefiting from project-based Housing Choice Vouchers (most serving extremely-low income seniors).

FIGURE 8: MINNESOTA POPULATION GROWTH (2015-2035) BY RACE

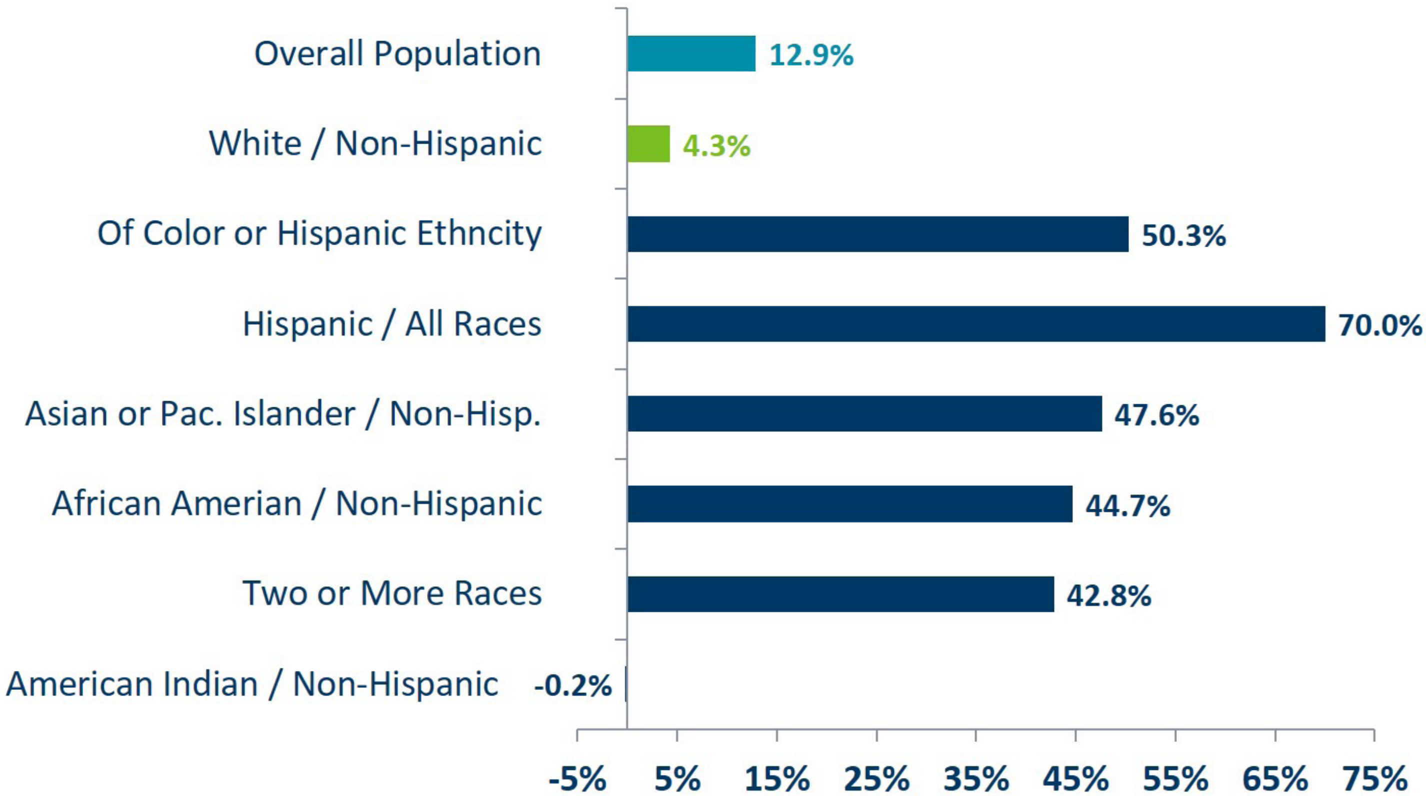
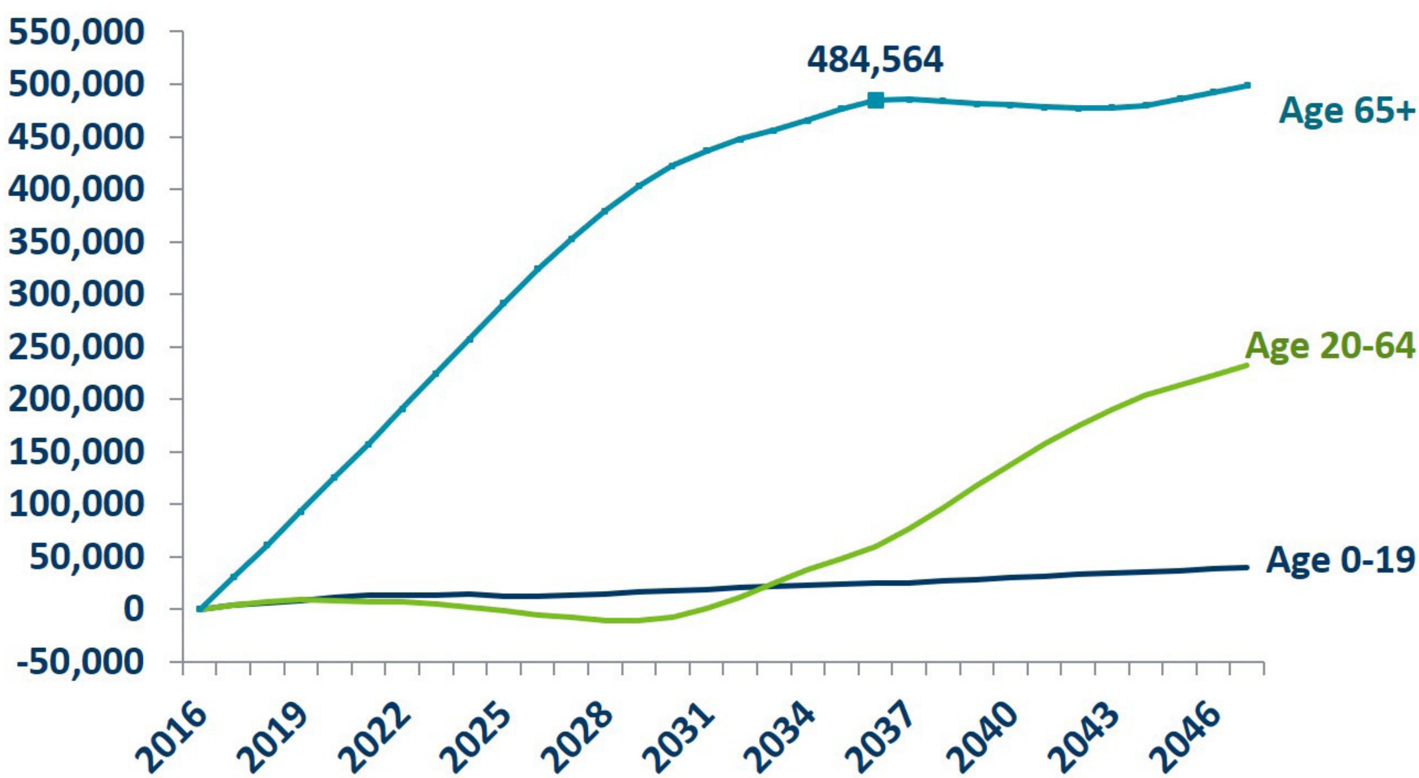


FIGURE 9: ADDITIONAL MINNESOTANS BY AGE ABOVE 2016 LEVELS



- On our website, we have an interactive Community Profiles tool that provides housing data and maps for every community in Minnesota, helping them plan and apply for housing resources.
- As outlined throughout this plan, we offer a full range of financing tools to serve low- and moderate-income Minnesotans. We want our programs to be broad and flexible enough to meet each community's needs.
- We also provide technical assistance before applications for funding are submitted. Developing affordable housing is complicated, and our applications can be demanding as we collect the information we need to ensure that our programs are well run and the housing developments will succeed. We offer technical assistance to all applicants so that each has the opportunity to submit a strong application.

OUR COMMITMENT TO ACTION IN 2019

- Host a series of Housing and Community Dialogues around the state, which will focus on how our work can best address local needs, as well as receiving input for the development of our 2020-23 Strategic Plan.

STRENGTHEN OUR FINANCIAL AND ORGANIZATIONAL CAPACITY

We depend on our staff, systems, and financial strength to fulfill our mission. These backroom operations allow our programs to improve the lives of Minnesotans in every corner of the state. Over the last few years, we have carried out two major process improvements. On the multifamily side, the Remodel project is a comprehensive, multiyear initiative to streamline all the processes in the division, starting with the selection and funding processes for housing developments, everything from project concept and application through construction and lease-up. For example, we created a customized online portal to receive funding applications for the multifamily consolidated RFP. On the single family side, we are putting in place a new loan origination system, which we and our lending partners will use to commit and purchase loans. These projects will improve both internal efficiencies and the experience of our external partners.

Our strong financial position allows us to not only access capital on favorable terms to finance our programs but also make strategic investments and loans. For

BUILDING HOUSING DRIVEN BY COMMUNITY NEED

Park Place of Bemidji is a two-story, 60-unit building, serving people suffering from chronic alcoholism and addiction, including many American Indians, through a "Housing First" approach with culturally-appropriate services and a uniquely-designed property that creates a home-like atmosphere.

The creation of Park Place was community driven, involving an expansive private-public partnership that included Center City Housing, Sanford Health, Minnesota Department of Human Services via the Mahube Collaborative, the Tribal Collaborative and the Housing Support program, the City of Bemidji, Beltrami County HRA, Beltrami County Sherriff's Department, Beltrami County Health & Human Services, City of Bemidji Police Department, Bemidji HRA, Headwaters Regional Development Corporation, Red Lake Nation, Leech Lake Band of Ojibwe, Minnesota Housing, Minnesota Equity Fund, Federal Home Loan Bank, Greater Minnesota Housing Fund, Enterprise, and Ottertail Power Company. The project was primarily financed with Housing Infrastructure Bond proceeds and Low-Income Housing Tax Credits from Minnesota Housing. It was the 2018 winner of the State Government Innovation Award.

IMPROVING INTERNAL PROCESSES

We recently purchased and started installing a new system from Mortgage Cadence that we and our lending partners will use to commit and purchase home mortgages. The system is very "configurable" and will support first mortgage products that are standard for the industry, as well as our unique products, such as deferred, zero-interest loans. As part of the project, we are also developing supporting applications that will:

- Track and manage the details of each loan with accounting and reporting functions, and
- Reconcile loan payments.

The implementation of these data and process integrations is critical to supporting viable home mortgage programs across the state.

example, in June 2017, we committed $5 million for an investment to preserve naturally occurring affordable rental housing through the Greater Minnesota Housing Fund. Minnesota has well over 200,000 rental units that are affordable without government subsidies, and these units are typically in older properties that lack modern amenities. We estimate that Minnesota is annually losing about 2,000 of these affordable units when their rents increase after properties are sold and rehabilitated.[15] In 2018, we also provided Habitat for Humanity Twin Cities with a $25 million line of credit to expand their business model.

OUR COMMITMENT TO ACTION IN 2019

- Go live with our new loan origination system for our single-family activities early in calendar year 2019.
- Continue implementing the multifamily Remodel project.
- Find opportunities to make other strategic investments and loans that provide a strong risk-adjusted rate of return and align with our mission.

CHAPTER 3:
RESOURCES FOR OUR WORK

For 2019, we have a $1.3 billion program investment plan, our largest ever. Eight years ago, the plan was only $700 million.

We have built this investment plan by improving the lives of Minnesotans with successful programs that have bi-partisan support in the state Legislature and Congress and by effectively managing our financial assets, which allows us to efficiently access the capital markets and earn returns that we can reinvest in housing across Minnesota.

OVERVIEW OF OUR PROGRAM INVESTMENT PLAN

We provide a wide continuum of tools for financing affordable housing, ranging from grants for homelessness prevention and rent assistance to mortgages for home purchase and improvements. As shown in Table 2, three programs account for a majority of the 2019 program investment plan.

- **Home Mortgage Loans** (line 1) will provide about $800 million in mortgage loans and support an estimated 4,324 homebuyers in 2019.
- **Rental Assistance Contract Administration** (line 21 and 22) will provide nearly $180 million of federal project-based rent assistance for 28,000 of the state's lowest income households. With this assistance, households generally spend no more than 30 percent of their income on rent and utilities.
- **Low-Income Housing Tax Credits** (line 13) is our primary program for developing and rehabilitating affordable rental housing. The $12.4 million of 9% credits that we receive from the federal government will generate an estimated $110 million in private equity and leverage other financial resources to construct or rehabilitate about 700 units of affordable rental housing.

We will also reserve portions of our tax-exempt private activity bond allocation for additional multifamily projects, which will also generate private equity from the sale of 4% tax credits. These projects typically also utilize our deferred loan resources, so the units produced by these projects are already included in our overall unit count for 2019.

4% TAX CREDITS

While not in our program investment plan, we award 4% credits to rental housing developments that are financed with tax-exempt private activity bonds. Unlike 9% credits, awards of 4% credits are not directly capped, but there are statewide volume limitations on the use of tax-exempt private activity bonds for housing. On a yearly basis, the use of 4% credits can generate a significant amount of private equity for affordable housing.

Table 2 also shows, by program, the median incomes of the low- and moderate-income households that we served in 2017, which ranged from $8,000 to $70,000. The statewide median family income in 2017 was $80,400.

Program	Median Income
Rent assistance programs (lines 23 to 25 and 35 to 36)	$8,070-$12,603
Rehabilitation Loan Program (line 9)	$14,826
Low-Income Housing Tax Credits (line 13)	$22,682
Habitat for Humanity Initiative (line 5)	$34,909
Home Mortgage Loans (line 1)	$54,349
Home Improvement Loan Program (line 8)	$69,732

TABLE 2: OVERVIEW OF THE 2017 AND 2018 PROGRAM INVESTMENT PLANS

		2018 Original Funding Level	2019 Funding Level	Activity	Median Income Served (2017)	Percentage Served from Communities of Color (2017)
	Homebuyer Financing and Home Refinancing	**$663,000,000**	**$840,000,000**			
1	Home Mortgage Loans	$630,000,000	$800,000,000	First Mortgage	$54,349	31.8%
2	Mortgage Credit Certificates (MCC)	$1,000,000	$0	Tax Credit on Home Mortgage Interest	$66,810	19.1%
3	Deferred Payment Loans	$18,500,000	$22,000,000	Downpayment and Closing Cost Loans	$47,708	34.8%
4	Monthly Payment Loans	$11,000,000	$18,000,000	Downpayment and Closing Cost Loans	$70,034	28.3%
5	Habitat for Humanity	$2,500,000	Rolled into Strategic Investments/Loans	Homebuyer Financing	$34,909	30.8%
	Homebuyer/Owner Education and Counseling	**$2,802,000**	**$2,777,000**			
6	Homebuyer Education, Counseling & Training (HECAT)	$1,552,000	$1,527,000	Education & Counseling	$36,000	46.5%
7	Enhanced Homeownership Capacity Initiative	$1,250,000	$1,250,000	Education & Counseling	$34,158	83.6%
	Home Improvement Lending	**$24,794,000**	**$26,494,000**			
8	Home Improvement Loan Program	$15,300,000	$17,000,000	Home Improvement Loan	$69,732	12.0%
9	Rehabilitation Loan Program (RLP)	$9,494,000	$9,494,000	Home Improvement Loan	$14,286	9.6%
	Rental Production - New Construction and Rehabilitation	**$135,654,833**	**$179,920,842**			
10	Multifamily First Mortgages	$70,000,000	$105,000,000	Amortizing Loan	$25,129	52.9%
11	Flexible Financing for Capital Costs (FFCC)	$0	$0	Deferred Loan	N/A	N/A
12	Multifamily Flexible Capital Account	$8,500,000	$5,000,000	Deferred Loan	N/A	N/A
13	Low-Income Housing Tax Credits (LIHTC)	$9,598,835	$12,413,026	Investment Tax Credit	$22,682	44.1%
14	National Housing Trust Fund	$3,118,428	$3,445,781	Deferred Loans and Operating Grants	N/A	N/A
15	HOME	$1,700,000	$11,885,573	Deferred Loan	$19,083	42%
16	Preservation - Affordable Rental Investment Fund (PARIF)	$16,623,916	$17,782,453	Primarily Deferred Loan	$17,826	44.3%
17	Asset Management	$2,482,043	$3,500,000	Loans & Grants	N/A	N/A
18	Rental Rehabilitation Deferred Loan Pilot (RRDL)	$9,601,587	$9,735,313	Deferred Loan	$19,028	20.0%
19	Publicly Owned Housing Program (POHP) - GO Bonds	$12,030,024	$9,231,696	Deferred Loan	$13,700	21.3%
20	Workforce Housing Development	$2,000,000	$1,927,000	Deferred Loans and Grants	N/A	N/A

		2018 Original Funding Level	2019 Funding Level	Activity	Median Income Served (2017)	Percentage Served from Communities of Color (2017)
	Rental Assistance Contract Administration	**$189,555,000**	**$178,810,000**			
21	Section 8 - Performance Based Contract Administration	$138,500,000	$141,460,000	Rent Assistance	$12,000	38.8%
22	Section 8 - Traditional Contract Administration	$51,055,000	$37,350,000	Rent Assistance	$12,603	28.9%
	Housing Stability for Vulnerable Populations	**$32,539,903**	**$29,870,556**			
23	Housing Trust Fund (HTF) - Net Activity	$17,671,234	$15,495,000	Rent Assistance and Operating Support	RA=$9,186 OS=$9,468	RA=65.2% OS=60.8%
23a	Funding for new contracts	$6,889,986	$27,390,000			
23b	Adj. to spread contracts over two years	$10,781,248	-$11,895,000			
24	Bridges - Net Activity	$5,140,000	$4,596,635	Rent Assistance	$9,644	31.0%
24a	Funding for new contracts	$0	$9,193,270			
24b	Adj. to spread contracts over two years	$5,140,000	-$4,596,635			
25	Section 811 Supportive Housing Program	$660,000	$912,000	Rent Assistance	$8,070	54.5%
26	Family Homeless Prevention and Assistance Program (FHPAP) - Net Activity	$8,893,486	$8,668,476	Grants	$12,000	58.5%
26a	Funding for new contracts	$250,000	$17,070,286			
26b	Adj. to spread contracts over two years	$8,643,486	-$8,401,810			
27	Housing Opportunities for Persons with AIDS (HOPWA)	$175,184	$198,445	Grants	$17,344	46.3%
	Multiple Use Resources	**$76,678,015**	**$85,026,481**			
28	Economic Development and Housing/ Challenge (EDHC)	$20,653,959	$16,601,481	Loans and Grants	MF=$21,413 SF=$40,265	MF=69.8% SF=45.3%
29	Single Family Interim Lending	$4,400,000	$1,900,000	Construction Loan	$45,181	54.5%
30	Housing Infrastructure Bonds (HIB)	$45,349,056	$60,000,000	Primarily Deferred Loans	SH=$9,688 Pres=$15,211	SH=50.0% Pres=28.6%
31	Community-Owned Manufactured Home Parks	$2,250,000	$2,000,000	Amortizing Loans	N/A	N/A
32	Technical Assistance and Operating Support	$2,525,000	$2,525,000	Grants	N/A	N/A
33	Strategic Priority Contingency Fund	$1,500,000	$2,000,000	Loans & Grants	N/A	N/A
34	Strategic Investments / Loans	TBD	TBD	Investments / Loans	N/A	N/A
	Other	**$1,960,314**	**$2,368,232**			
35	Manufactured Home Relocation Trust Fund	$459,837	$621,178	Grants	N/A	N/A
36	Disaster Relief Contingency Fund	$1,500,477	$1,747,054	Loans & Grants	$18,534	6.7%
	Total	**$1,126,984,065**	**$1,345,267,111**			

NOTE: The section of the table addressing “Housing Stability for Vulnerable Populations” has adjustments to reflect the two-year contracts for some of these programs. (See lines 23, 24, and 26.) All funds are committed in the first year of the contract, but activities are carried out over the two years of the contract. The “a” part of the program line shows all the funds that will be committed to execute the contract, while the “b” part is an adjustment to spread out the activities over the two years of the contract. The “Net Activity” line (the part without a letter) shows the net level of activity in a year after the adjustment. The Bridges (line 24) is the simplest example. In 2019, we expect to commit $9,193,270 for the two-year contracts (line 24a). To reflect program activity, half of those funds ($4,596,635) will shift out of 2019 (the negative number in line 24b) and into 2020. The net effect is the $4,596.635 million of program activity in 2019 (top part of line 24). While displaying both funding and program activity adds a level of complexity, it is necessary. The “a” line is needed from a budgeting perspective to show the funds that are needed to enter into a contract, while the “Net Activity” line more accurately reflects annual program activity.

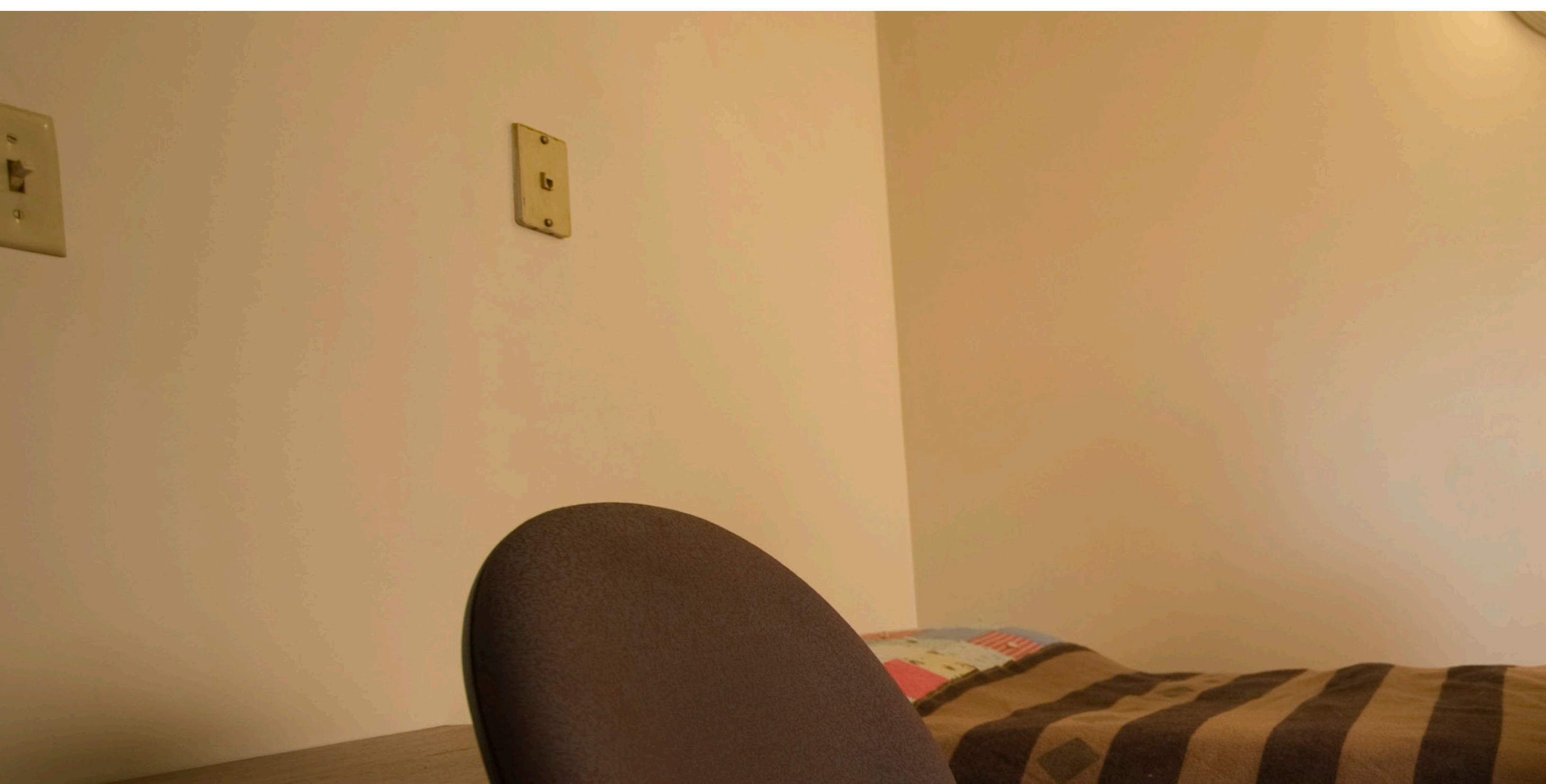
Our 2019 program investment plan is $218 million higher than 2018. Three programs account for the increase.

- **In 2019, we expect home mortgage lending to be $170 million higher than originally forecasted in 2018 (line 1).** In 2018, we originally estimated $630 million of lending activity, which was $50 million less than the $680 million we reached in 2017. With rising home prices, a declining inventory of homes for sale that are affordable to our borrowers, and the prospect of rising interest rates, we expected lending to decline in 2018. However, through program adjustments, effective implementation and outreach, and continued low interest rates, we not only maintained our lending in 2018, we significantly increased it to roughly $800 million. We expect to reach a similar level in 2019.
- **We are projecting up to $15 million more from Housing Infrastructure Bond (HIB) proceeds (line 30).** The Legislature increased HIB funding from $55 million in the 2017 bonding bill to $80 million in the 2018 bill. We committed most of the 2017 funds in program years 2017 and 2018, but some funds will carry forward to 2019. We expect to commit the 2018 funds in program years 2019 and 2020. Over the two years, we are setting aside up to $30 million of the new HIB resources for supportive housing for people with behavioral health needs.
- **We expect multifamily first mortgage lending to increase by $35 million (line 10).** Through our business development activities, we have better aligned this program with the needs of our borrowers.

The funding levels shown in Table 2 for amortizing loans (including Home Mortgages, Monthly Payment Loans, Home Improvement Loans, Multifamily First Mortgages, and Strategic Investments/Loans) should be viewed as forecasts of expected lending volumes, rather than a fixed budget. Demand and need for these loans will largely determine the amount of funds used.

Table 2 also includes a few other notable funding changes.

- **With the scarcity of tax-exempt bonding authority, we ended the Mortgage Credit Certificate (MCC) program (line 2).** The program used tax-exempt bonding authority that would have otherwise ex-



pired to provide eligible first-time homebuyers a special tax credit on a portion of their mortgage interest payments.

- **We increased funding for downpayment and closing cost loans by $10 million (lines 3 and 4).** This will support the home mortgage lending that we expect in 2019.
- **HOME funding is $10 million higher than last year (line 15).** Because of uncertainty in federal HOME funding in 2018, we only budgeted funds from loan repayments and uncommitted funds from previous years and did not budget any new appropriations. In 2019, we will budget the 2018 appropriations that have been finalized.
- **Funding for the Publicly Owned Housing Program is nearly $3 million lower than last year (line 19).** In the most recent bonding bill, the Legislature provided $10 million of general obligation bond proceeds for public housing. However, demand for funds from the previous bonding bill was so strong during the funding process that ended in April 2018 that we used a share of the new bonding resources, leaving about $9.2 million for the 2019 AHP.
- **Funding for Section 8 contract administration is $10 million lower in 2019 (Lines 21 and 22).** For budget reasons, HUD is taking over the administration of 24 Section 8 properties that were previously administered by Minnesota Housing. The units in these properties will continue to receive rent assistance, which will not be administered by us.
- **Funding for vulnerable populations appears to decline by $2.7 million (Lines 23-27).** Annual funding for these programs has not gone down. The apparent decline reflects a timing issue of when funds are committed and the Minnesota Department of Human Services now administering operating subsidies for supportive housing that we had previously administered for them.
- **We are projecting $4 million less under the Economic Development and Housing/Challenge program (line 28).** In 2018, we committed a sizable balance of funds that carried forward from previous years. There is a smaller 2019 balance.

HOUSEHOLD AND UNIT PROJECTIONS

As show in Table 3, we expect to assist over 69,000 households in 2019.

TABLE 3: 2019 FORECAST OF ASSISTED HOUSEHOLDS OR HOUSING UNITS, BY PROGRAM

	Program	Households or Units
Homebuyer Financing and Home Refinancing		**4,324**
1	Home Mortgage Loans	4,324
2	Deferred Payment Loans	Included in First Mortgage Count
3	Monthly Payment Loans	
Homebuyer/Owner Education & Counseling		**20,224**
4	Homebuyer Education, Counseling & Training (HECAT)	19,088
5	Enhanced Homeownership Capacity Initiative	1,136
Home Improvement Lending		**1,246**
6	Home Improvement Loan Program	895
7	Rehabilitation Loan Program (RLP)	352
Rental Production- New Construction and Rehabilitation		**4,062**
8	Multifamily RFP/HTC/Pipeline Production	1,995
9	First Mortgage - Low and Moderate Income Rental (LMIR)	Part of RFP/HTC/ Pipeline Total
10	First-Mortgage - MAP Lending (Multifamily Accelerated Processing)	
11	Flexible Financing for Capital Costs (FFCC)	
12	Multifamily Flexible Capital Account	
13	Low-Income Housing Tax Credits (LIHTC)	
14	National Housing Trust Fund	
15	Housing Infrastructure Bonds (HIB) - Multifamily RFP	
16	Economic Development and Housing/ Challenge (EDHC)	
17	HOME	
18	Preservation - Affordable Rental Investment Fund (PARIF)	
19	Asset Management	183
20	Rental Rehabilitation Deferred Loan Pilot Program (RRDL)	649
21	Preservation - Publicly Owned Housing Program (POHP)	1,154
22	Workforce Housing Development	80
Rental Assistance Contract Administration		**28,259**
23	Section 8 - Performance Based Contract Administration	21,763
24	Section 8 - Traditional Contract Administration	6,496
Housing Stability for Vulnerable Populations		**11,059**
25	Housing Trust Fund (HTF)	2,900
26	Bridges	888
27	Section 811 Supportive Housing Program	127
28	Family Homeless Prevention and Assistance Program (FHPAP)	6,935
29	Housing Opportunities for Persons with AIDS (HOPWA)	209
Multiple Use Resources		**541**
30	EDHC - Single Family RFP (Impact Fund)	407
31	Single Family Interim Lending	Part of EDHC RFP
32	Housing Infrastructure Bonds (HIB) - Community Land Trusts	Part of EDHC RFP
33	Community-Owned Manufactured Home Parks	133
34	Technical Assistance and Operating Support	TBD
35	Strategic Priority Contingency Fund	TBD
36	Strategic Investments/Loans	TBD
Other		**TBD**
37	Manufactured Home Relocation Trust Fund	TBD
38	Disaster Relief Contingency Fund	TBD
Total		**69,715**

Note: The forecasted numbers are based on the assumption that all of funds budgeted in the AHP are used.

HOMEBUYER FINANCING AND REFINANCING

FIGURE 10: HOUSEHOLDS/HOME ASSISTED – HOME MORTGAGE LOANS

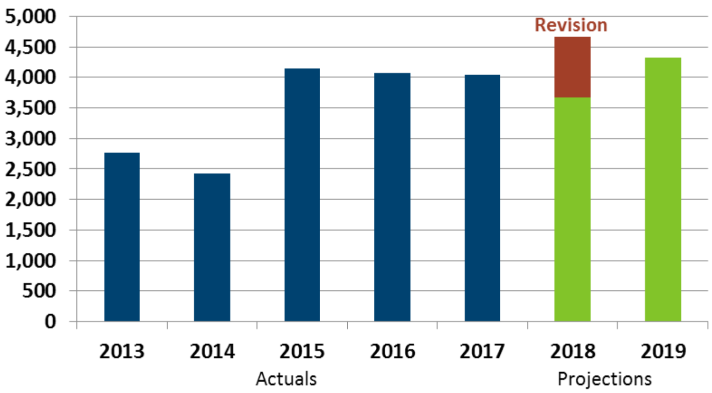


FIGURE 11: HOUSEHOLDS/HOMES ASSISTED – OTHER HOMEOWNERSHIP OPPORTUNITIES

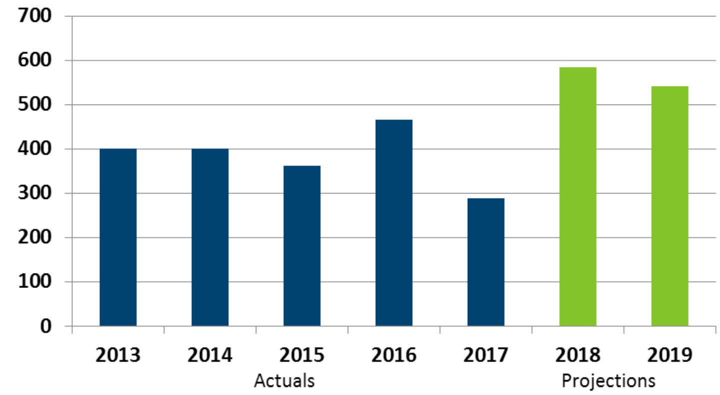


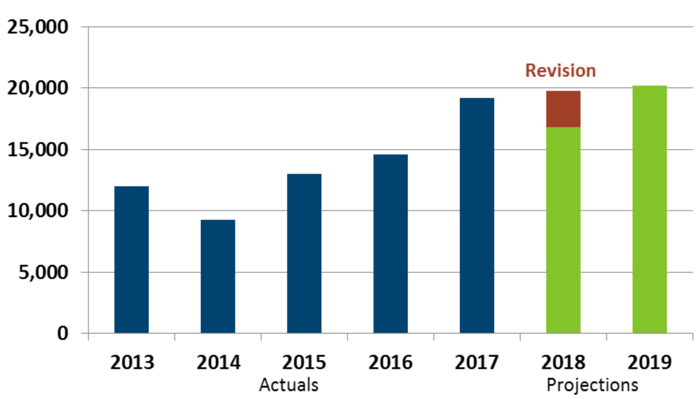
Figure 10 shows our historical home mortgage lending, which was about 2,500 mortgages in 2013 and 2014. It then took off in 2015, reaching 4,000 mortgages in 2015 through 2017, and about 4,500 since then. Despite a tight supply of homes, rising prices and interests, and regulatory changes, we have increased our lending.

In 2019, we expect to serve a little more than 500 households under "other homeownership opportunities", which is higher than the 400 households we typically served in previous years.

Activity and funding in 2018 was particularly high with a large balance of Economic Development and Housing/Challenge funds carrying forward from the previous year. (Figure 11 includes the Habitat for Humanity Initiative, the single-family portion of the Economic Development and Housing/Challenge program, Housing Infrastructure Bond proceeds going to community land trusts, Single Family Interim Lending, and Community-Owned Manufactured Home Parks.)

HOMEBUYER/OWNER EDUCATION, COUNSELING, AND COACHING

FIGURE 12: HOUSEHOLDS ASSISTED – HOMEBUYER/OWNER EDUCATION AND COUNSELING

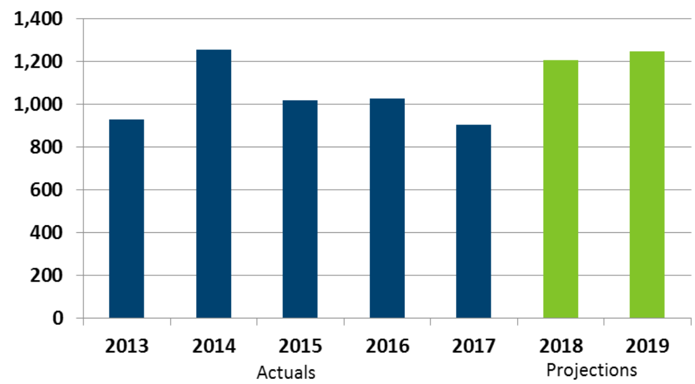


As shown in Figure 12, education and counseling declined in 2013 and 2014, reflecting less need for foreclosure prevention counseling. The need for homebuyer education continues and has increased since 2014. The addition of the Homeownership Center's online course called Framework, which is an alternative to traditional classroom training, has supported the increase. (Figure 12 includes Homebuyer Education, Counseling & Training (HECAT) and the Enhanced Homeownership Capacity Initiative.)

HOME IMPROVEMENT LENDING

Home improvement production (Figure 13) was limited after the recession. Since then, production has increased, but the availability of home equity lines of credit and cash from mortgage refinancing has limited demand for our installment loans. Activity in 2014 was particularly strong because of a special program offering that our largest lender ran at the State Fair. Lending in 2018 will come in lower than originally projected, but we expect activity to increase in 2019 due to changes that made the program more desirable for borrowers and easier to administer. (Figure 14 includes both the Home Improvement Loan Program and the Rehabilitation Loan Program.)

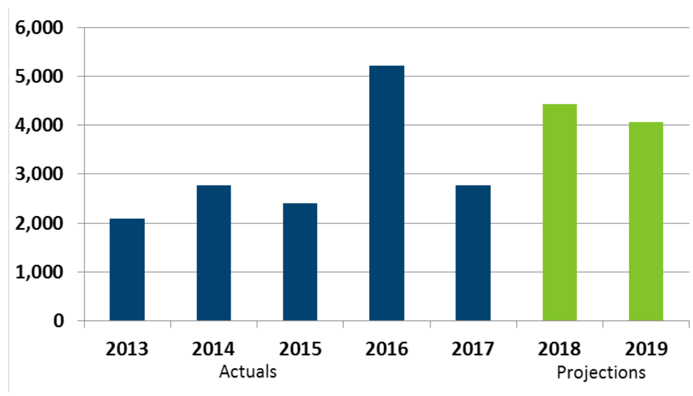
FIGURE 13: HOUSEHOLDS/HOMES ASSISTED – HOME IMPROVEMENT PROGRAMS



RENTAL PRODUCTION

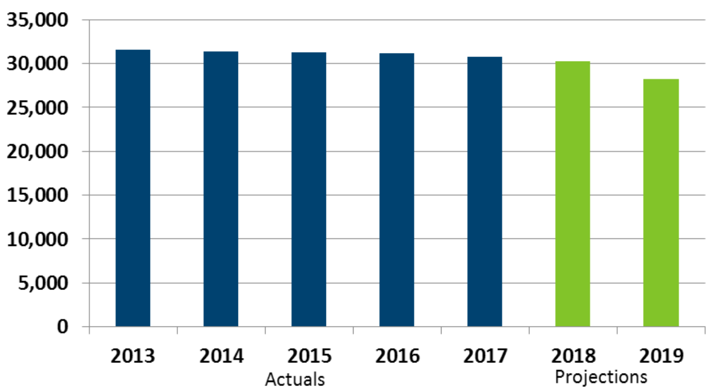
In a typical year, rental unit production (new constructions and rehabilitation) varies between 2,000 and 3,000 units, but we expect production to reach about 4,000 in 2018 and 2019 with the availability Housing Infrastructure Bond (HIB) and General Obligation Bond proceeds. A large allocation of Low-Income Housing Tax Credits (made possible by a temporary increase approved by Congress) is also supporting 2019 activity. Production in 2016 was particularly high with the completion of developments that received the last major round of bond proceeds ($100 million). Production in 2018 and 2019 will be tempered a little because we will fund more new construction projects than we did a few years ago. New construction projects require more funding per unit, which limits the number of assisted units. (Figure 14 captures all the programs in the rental production area and the multifamily portion of the Economic Development and Housing/Challenge and Housing Infrastructure Bond programs.)

FIGURE 14: UNITS ASSISTED - RENTAL PRODUCTION



RENT ASSISTANCE CONTACT ADMINISTRATION

FIGURE 15: HOUSEHOLDS ASSISTED – RENTAL ASSISTANCE CONTRACT ADMINISTRATION



Activity in the Section 8 and Section 236 contract administration has been very steady (Figure 15). These are ongoing contracts that we have administered, and the number of households served does not vary significantly from year to year. The number will drop slightly in 2019 because HUD has taken over administration of 24 Section 8 properties for budget reasons. The households in these 24 properties will continued to receive Section 8 assistance, but not from us. With the last Section 236 mortgages maturing in 2017, that program has closed out. It became a small program in recent years as it wound down.

HOUSING STABILITY FOR VULNERABLE POPULATIONS

Since 2015, there has been an increase in activity for state- and Agency-funded rent assistance and operating subsidies (Figure 16). Starting with the 2016-17 biennium, we have received an additional $2.5 million for the Bridges program (rent assistance for people with very low incomes and a serious mental illness). We have also increased activity under Housing Trust Fund rent assistance, with most of the new activity focused on pilot programs that test new approaches. Finally, we have added the Section 811 program that serves people with disabilities. As shown in Figure 16, overall activity in 2019 will decline modestly because the Minnesota Department of Human Services has taken over the administration of some operating subsidies in supportive housing developments that we had previously administered for them. (Figure 16 includes the three rent assistance programs and Housing Trust Fund operating subsidies.)

The number of households assisted by the Family Homeless Prevention and Assistance Program (FHPAP) and Housing Opportunities for Persons with AIDS (HOPWA) (Figure 17) has declined in recent years because FHPAP has targeted harder-to-serve clients, which requires more funding per household.

FIGURE 16: HOUSEHOLDS/UNITS ASSISTED – AGENCY RENTAL AND OPERATING ASSISTANCE

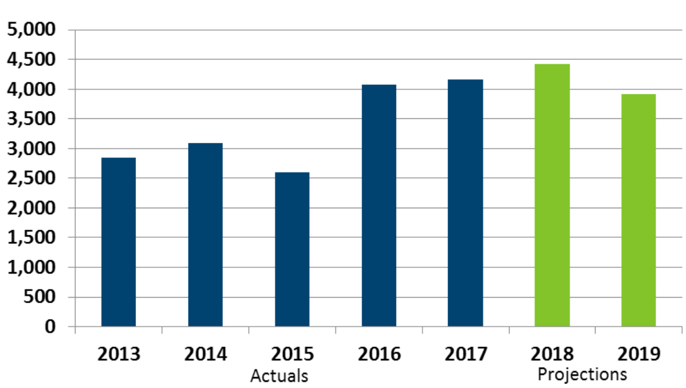
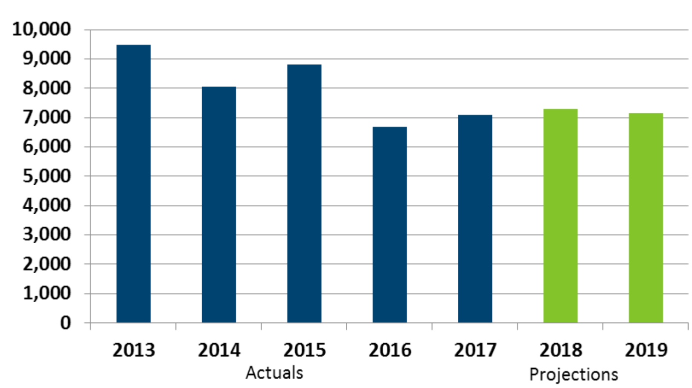


FIGURE 17: HOUSEHOLD ASSISTED – TARGETED ASSISTANCE – FHPAP AND HOPWA



NOTES

[1]Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2017, 1-year sample).

[2]Recipients of rent assistance typically receive it for multiple years, and they are counted only once in the four year total.

[3]Christopher E. Herbert, Daniel T. McCue, and Rocio Sanchez-Moyano, Is Homeownership Still an Effective Means of Building Wealth for Low-income and Minority Households? (Was it Ever?) (Harvard University, Joint Center for Housing Studies, September 2013, HBTL-06) pp. 2 and 45-46.

[4]Minnesota Housing analysis of HUD's CHAS data (2010-2014). For this analysis, we defined the "lowest-income renter households" as those with an income at or below 30% of the area median income (AMI), and the "renter households who are able to afford homeownership" as those with an income over 50% of AMI.

[5]Based on data for the 16-county Twin Cities metro area. The inventory dropped from 9,413 in June of 2014 to 4,314 in June of 2017.

[6]Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2016, 1-year sample).

[7]Federal Financial Institutions Examination Council, Home Mortgage Disclosure Act (HMDA) data (2016).

[8]Minnesota Housing estimate for the Governor's Task Force on Housing.

[9]Minnesota Housing analysis of data from the U.S. Department of Housing and Urban Development's (HUD's) CHAS data (2010-14).

[10]Based on Minnesota Housing Analysis of metro-area construction data from the Metropolitan Council; https://stats.metc.state.mn.us/data_download/DD_start.aspx.

[11]Minnesota Housing, 2018 Cost Containment Report (2018).

[12]Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2016, 1-year sample, microdata from IPUMS.com).

[13]Minnesota Housing analysis of data from the U.S. Census Bureau's American Community Survey (2016, 1-year sample, microdata from IPUMS.com)

[14]U.S Department of Housing and Urban Development (HUD), Comprehensive Housing Affordability Strategy (CHAS) Data (2011-2015); https://www.huduser.gov/portal/datasets/cp.html.

[15]Minnesota Housing, The Loss of Naturally Occurring Affordable Housing (NOAH) (May 2, 2018).

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